

FISCAL NOTE

Bill #: SB0389

Title: Revising permanent, partial temporary total and rehabilitation benefits

Primary

Sponsor: John Ellingson

Status: As introduced

Sponsor signature	Date	Dave Lewis, Budget Director	Date
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Fiscal Summary

	<u>FY2000 Difference</u>	<u>FY2001 Difference</u>
Expenditures:		
General Fund	\$1,840,000	\$1,840,000
State Special Revenue	1,320,000	1,320,000
Federal Special Revenue	520,000	520,000
Proprietary	33,320,000	33,320,000
Revenue:		
General Fund	\$1,108,000	\$1,108,000
Proprietary	33,000,000	33,000,000
Net Impact on General Fund Balance:	(\$732,000)	(\$732,000)

<u>Yes</u>	<u>No</u>		<u>Yes</u>	<u>No</u>	
X		Significant Local Gov. Impact		X	Technical Concerns
	X	Included in the Executive Budget		X	Significant Long-Term Impacts

Fiscal Analysis

ASSUMPTIONS:

1. The National Council on Compensation Insurance (NCCI) was requested by the State Fund to assist in determining the fiscal impact of SB 389.
2. NCCI's evaluation and analysis included the following provisions of SB 389:
 - a) Eliminating the temporary total max. of 100% of the state's average weekly wage (SAWW);
 - b) Increasing the number of weeks for permanent partial disability (PPD) from 350 weeks to 500;
 - c) Increasing the age factors for the PPD calculation;

(continued)

- d) Increasing the education factors for the PPD calculation;
 - e) Increasing the physical strength factors for the PPD calculation, and
 - f) Eliminating the PPD max. of 50% of the SAWW.
3. Based on the analysis of the above components, NCCI with the State Fund concurrence, estimates that enactment of these provisions will result in a 55% increase in the workers' compensation system cost.
 4. The following provisions were not included in the analysis due to time constraints, but would add further cost:
 - a) Eliminating the criteria for PPD awards
 - b) Extending rehab. plan benefits from 104 weeks to 208, and
 - c) Eliminating the requirement for the use of authorized rehab. providers.
 5. The State Fund is required by law to be self-supporting and to establish rates sufficient to ensure the adequate funding of the insurance program (39-71-2311, MCA). State Fund pure losses for FY 1999 are estimated to be \$60 million. A 55% increase would affect premium revenue and benefit payments by \$33 million every year.
 6. The Department of Labor and Industry (DOLI) manages the uninsured employers' fund. This fund pays injured workers who were not insured by their employer, but recovers funding from the employer, after the fact, with significant penalties. SB 389 also would impact this fund, but an estimate is not available. The impact would be offset by subsequent collections from deficient employers.
 7. The State Auditor's Office collects a 2.75% premium tax from insurance companies. Premiums on workers' compensation insurance offered by private companies are estimated to increase by \$40.3 million as a result of this bill (based on the NCCI analysis above). Thus, an increase in general fund insurance premium tax of \$1.108 million (\$40.3 million x 2.75%) is estimated as a result of SB 389.
 8. State government's increase in workers' compensation premiums as a result of SB 389 is estimated to be \$4 million per year. The funding distribution of that increase would be approximately \$1.84 million general fund; \$1.32 million state special revenue; \$.52 million federal special revenue; and \$.32 million proprietary.

FISCAL IMPACT:

	<u>FY2000</u> <u>Difference</u>	<u>FY2001</u> <u>Difference</u>
<u>Expenditures:</u>		
Personal Services (statewide)	\$4,000,000	\$4,000,000
Benefits (State Fund)	<u>33,000,000</u>	<u>33,000,000</u>
TOTAL	\$37,000,000	\$37,000,000
<u>Funding:</u>		
General Fund (01)	\$1,840,000	\$1,840,000
State Special Revenue (02)	1,320,000	1,320,000
Federal Special Revenue (03)	520,000	520,000
Proprietary (06)	<u>33,320,000</u>	<u>33,320,000</u>
TOTAL	\$37,000,000	\$37,000,000
<u>Revenues:</u>		
General Fund (01)	\$1,108,000	\$1,108,000
Proprietary (06)	33,000,000	33,000,000

Net Impact to Fund Balance (Revenue minus Expenditure):

General Fund (01)	(\$732,000)	(\$732,000)
State Special Revenue (02)	(1,320,000)	(1,320,000)
Federal Special Revenue (03)	(520,000)	(520,000)
Proprietary (06)	(320,000)	(320,000)

EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:

Local governments will be required by law to pay higher workers' compensation benefits to injured workers, and will see increased premium costs to purchase coverage for their workers' compensation liability. CI – 75 may impede the ability of these entities to increase revenues to offset the increased premium costs.